



# Hong Kong SAR Government

## Half-yearly Economic Report 2016 & Updated economic forecasts for 2016

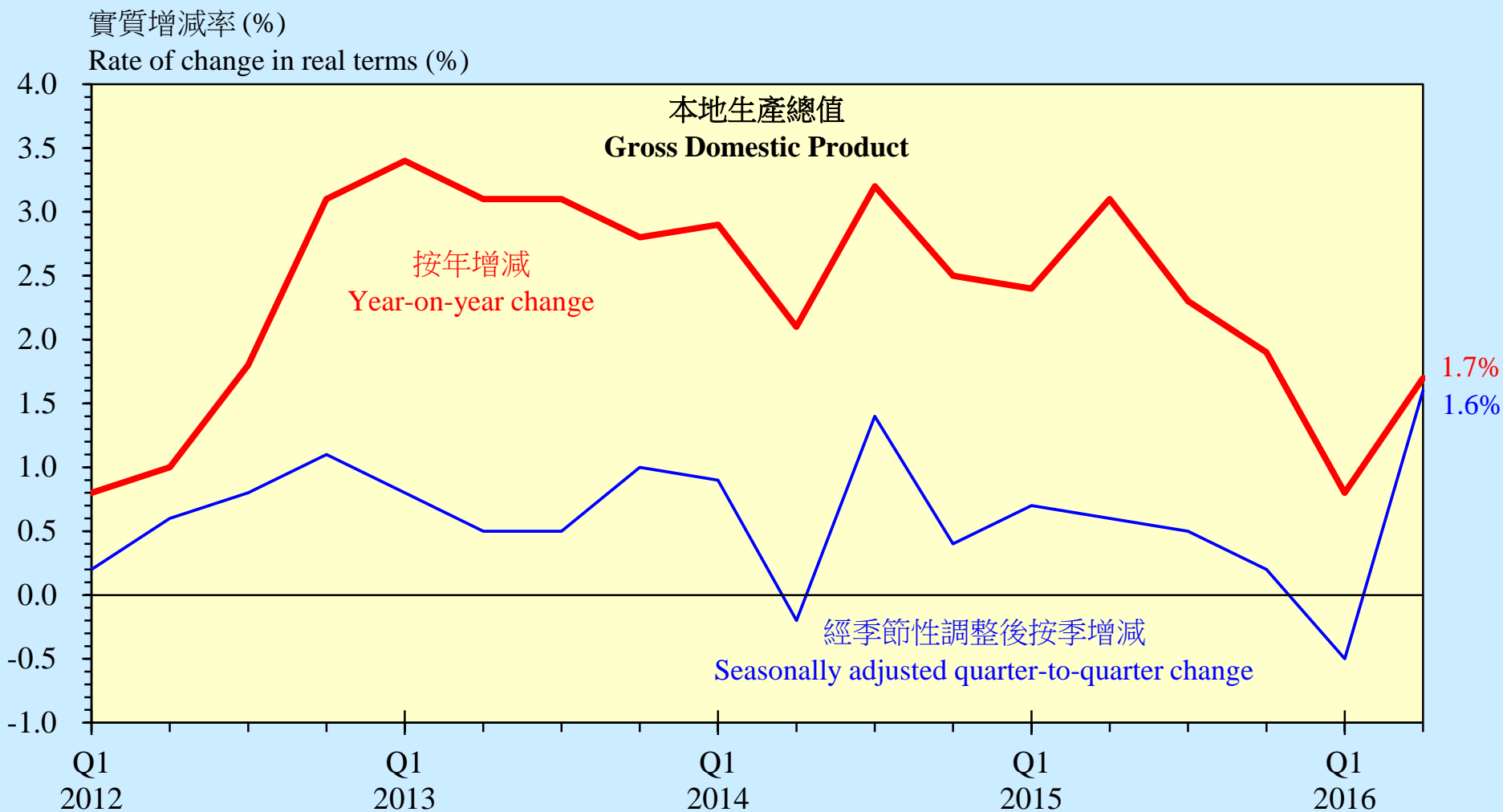
12 August 2016

## Highlights of the latest economic situation

- Hong Kong economy regained some momentum in Q2, growing by 1.7% year-on-year in real terms
- Goods exports resumed modest growth; services exports also saw a slightly narrower decline
- Immediate impact of Brexit on the global economy was limited, but added uncertainties to the external environment
- Private consumption expenditure grew slightly; declines in overall investment spending and in visitor arrivals narrowed visibly
- Labour market stayed broadly stable; inflation eased
- Latest real GDP growth forecast for 2016 unchanged at 1-2%

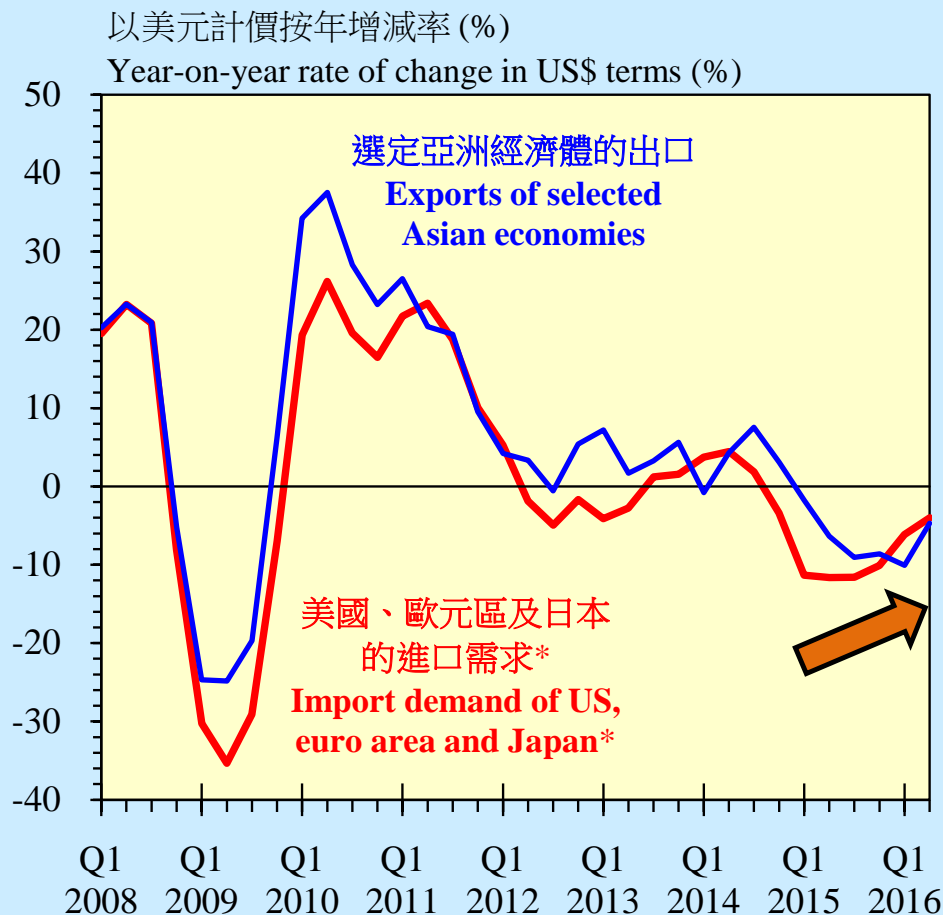
# **Economic performance in Q2 2016**

# Hong Kong economy regained some momentum in Q2



# External sector

# Relative improvement in Asia's exports, alongside some stabilisation in global economic activities in Q2



## Export performance of selected Asian economies

Year-on-year rate of change in US\$ terms (%)

	<u>2015</u>	<u>2016</u>	
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>
Mainland	-2.9	-11.1	-4.7
Taiwan	-10.9	-12.1	-6.2
Korea	-8.0	-13.3	-6.6
Singapore <sup>^</sup>	-8.0	-12.0	-1.1
Malaysia	-14.6	-12.8	-7.5
Indonesia	-14.6	-14.0	-8.8

註：選定亞洲經濟體包括中國內地、香港、印度、印尼、韓國、馬來西亞、菲律賓、新加坡、台灣及泰國。

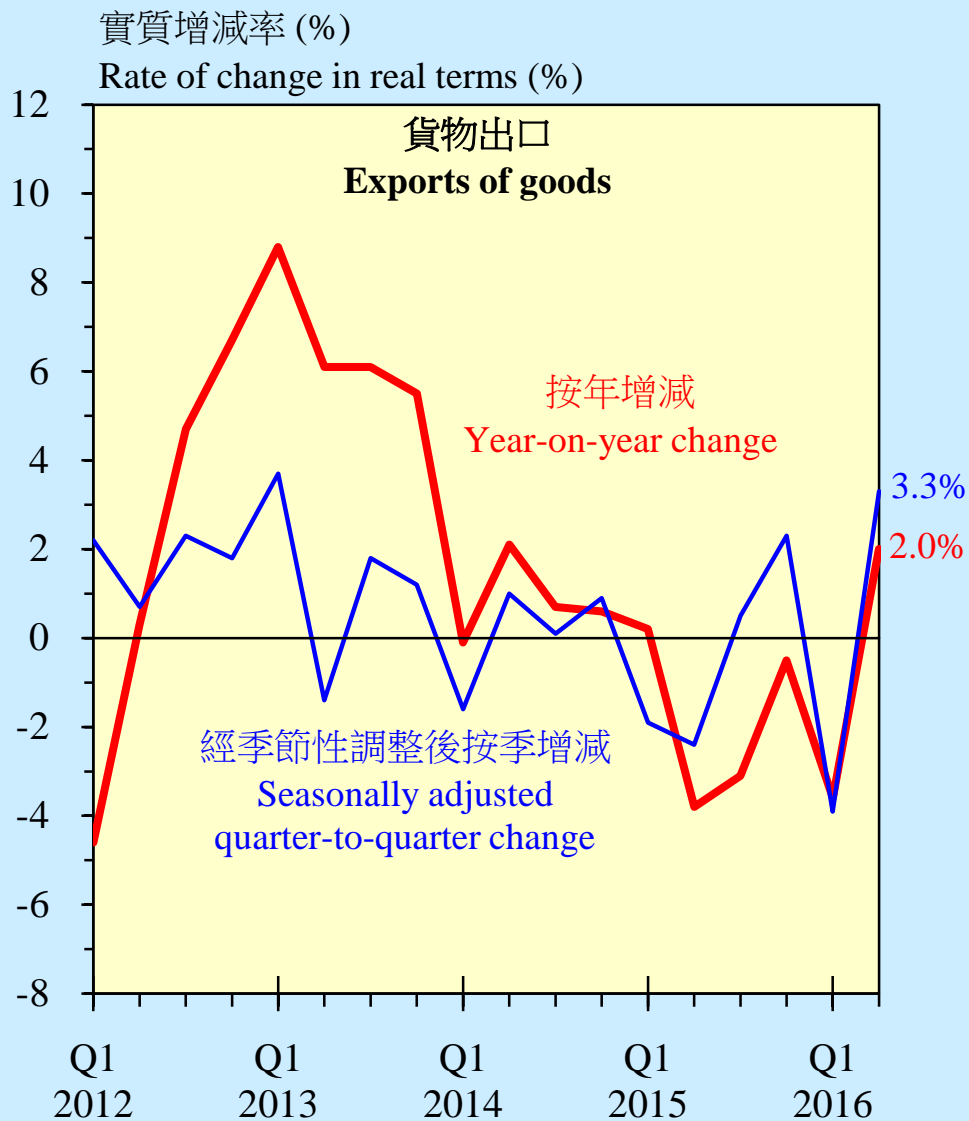
Notes: Selected Asian economies include Mainland China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

(\* ) 由於數據有限，美國、歐元區及日本的進口需求最新數字為2016年4-5月合併的數字。

(\* ) Due to data limitations, the latest figure for import demand of US, euro area and Japan is Apr-May 2016 combined.

Note: (^) Non-oil domestic exports.

# Hong Kong's exports of goods likewise resumed modest growth

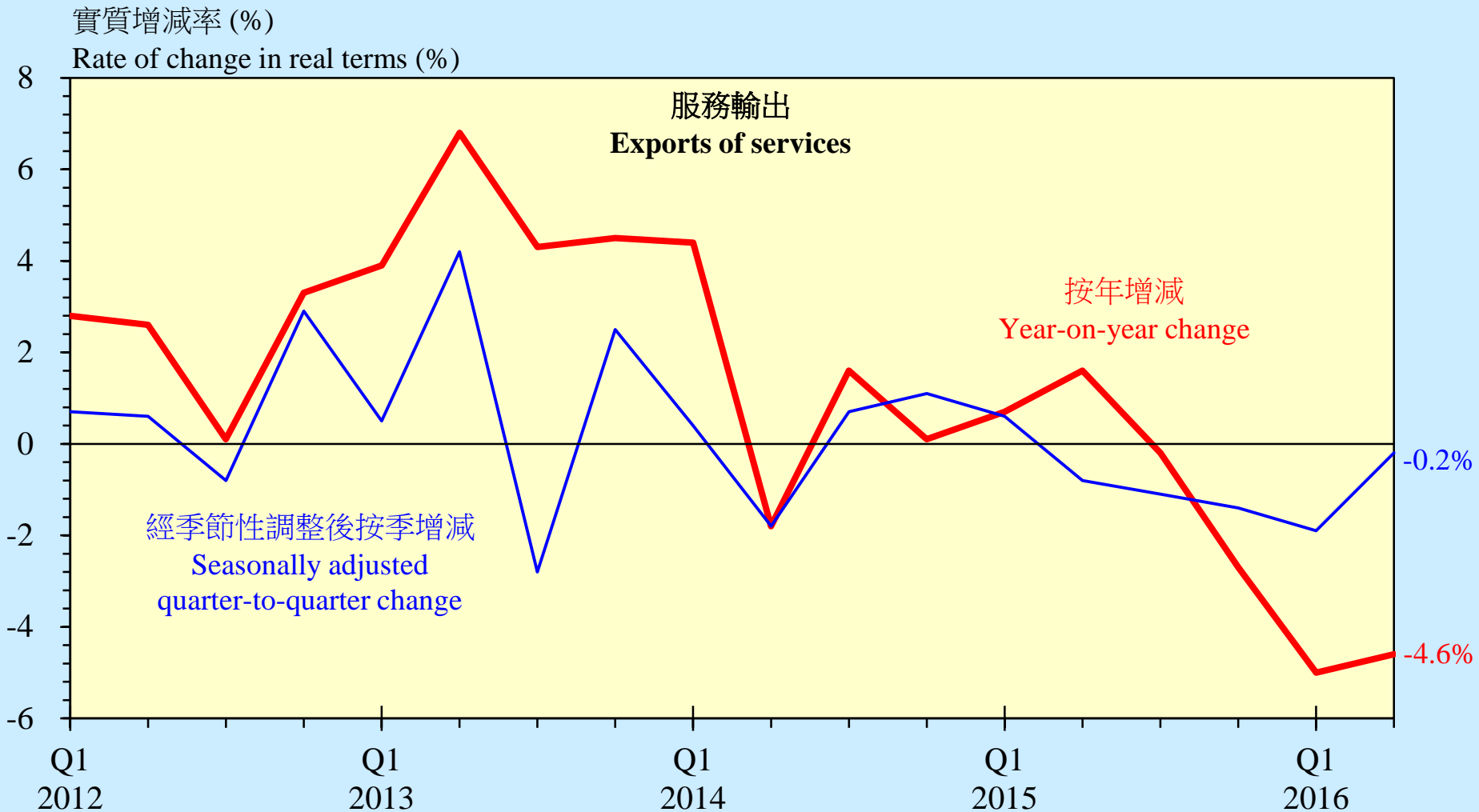


## Total exports of goods by major market

Year-on-year rate of change in real terms (%)

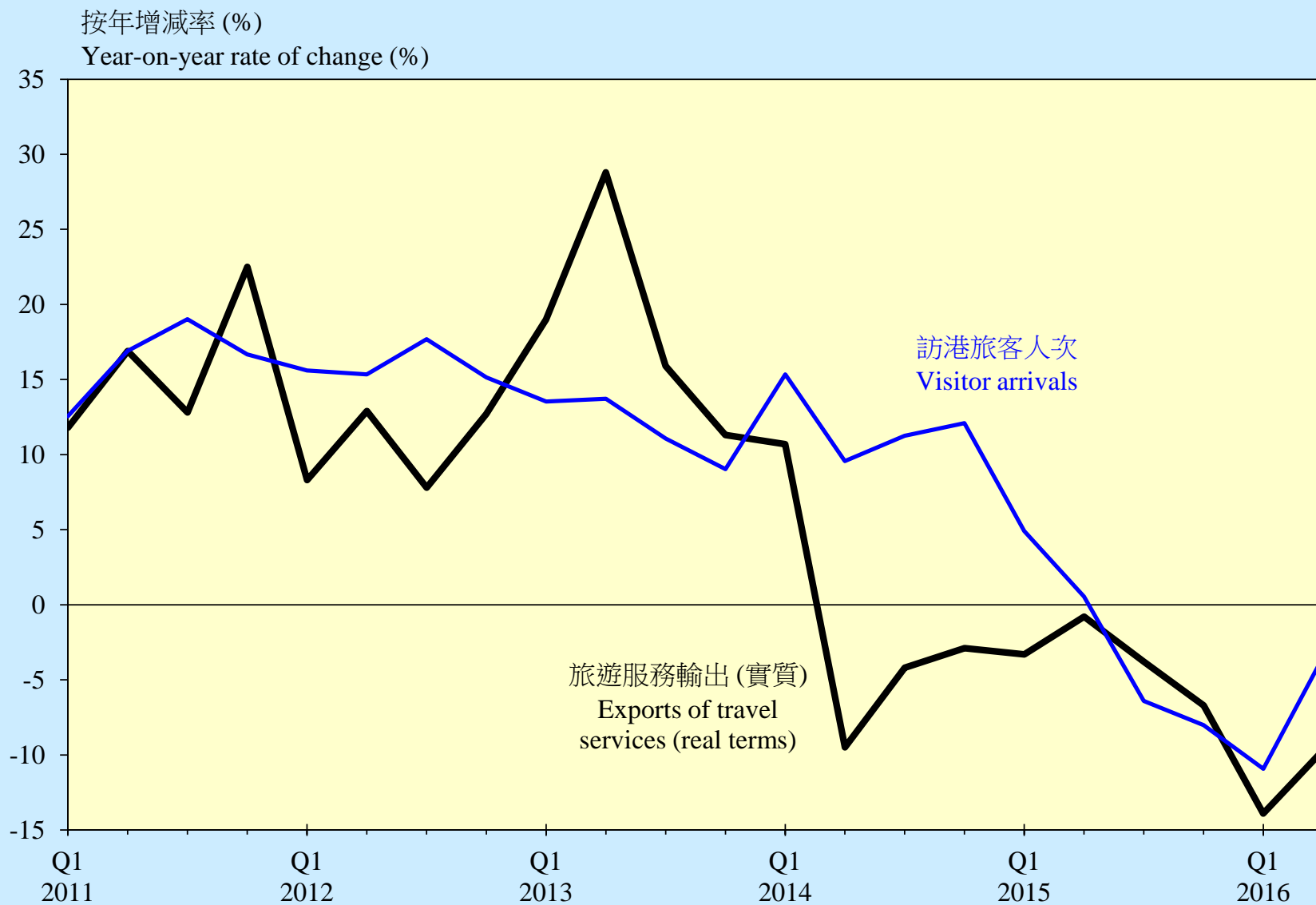
	<u>2015</u>	<u>2016</u>	
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>
Mainland	-2.0	-5.6	2.0
U.S.	1.0	-4.8	-1.4
E.U.	-4.1	-2.6	3.8
Japan	-3.6	-3.3	-6.6
Taiwan	-15.0	-2.9	17.1
Korea	-13.4	-14.0	3.2
Singapore	-4.3	-0.4	-1.6

# Services exports registered a slightly narrower decline





# Exports of travel services fell at a decelerated pace, as the decline in tourist arrivals narrowed



# Major groups of service exports saw mixed performance

## Exports of services

Year-on-year rate of change in real terms (%)

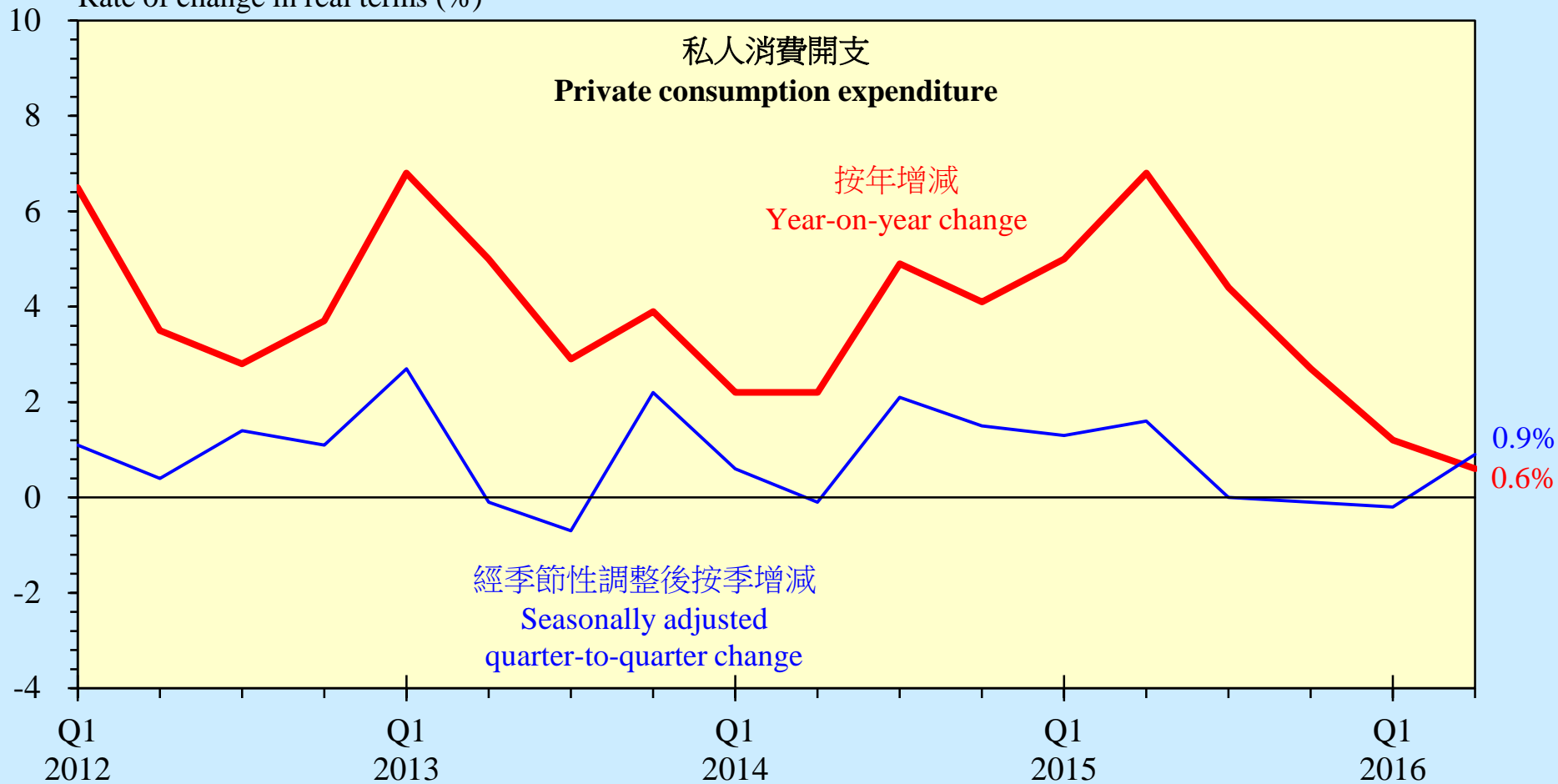
		<u>Travel services</u>	<u>Trade-related services</u>	<u>Transportation services</u>	<u>Financial and business services</u>
2015	Annual	-3.8	-1.8	0.2	5.6
	Q3	-3.8	-3.0	0.8	6.5
	Q4	-6.7	-0.5	-2.7	-1.0
2016	Q1	-13.9	-2.2	-1.8	-0.6
	Q2	-9.7	0.4	-0.5	-8.7

# Domestic sector

# Private consumption grew slightly year-on-year

實質增減率 (%)

Rate of change in real terms (%)

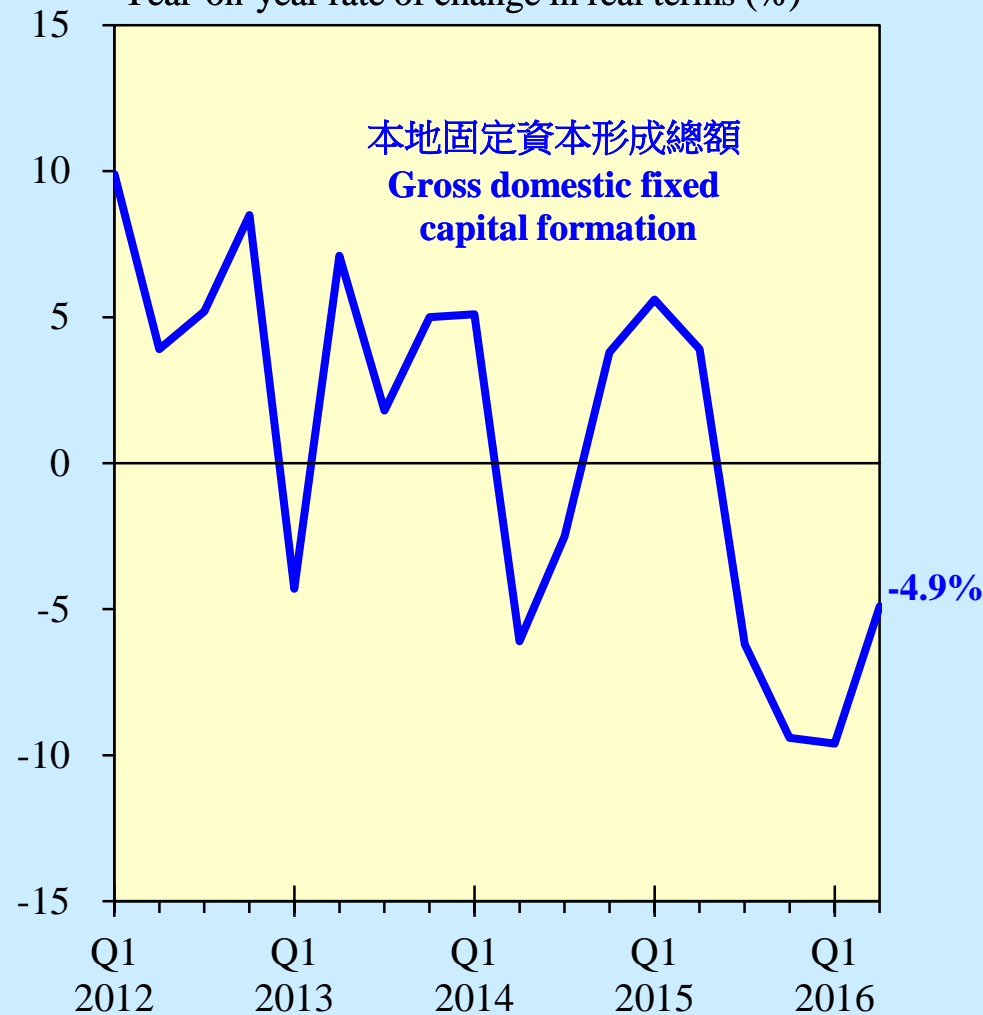


# Decline in overall investment spending narrowed visibly

按年實質增減率 (%)

Year-on-year rate of change in real terms (%)

本地固定資本形成總額  
Gross domestic fixed  
capital formation



## Overall investment spending

Year-on-year rate of change in real terms (%)

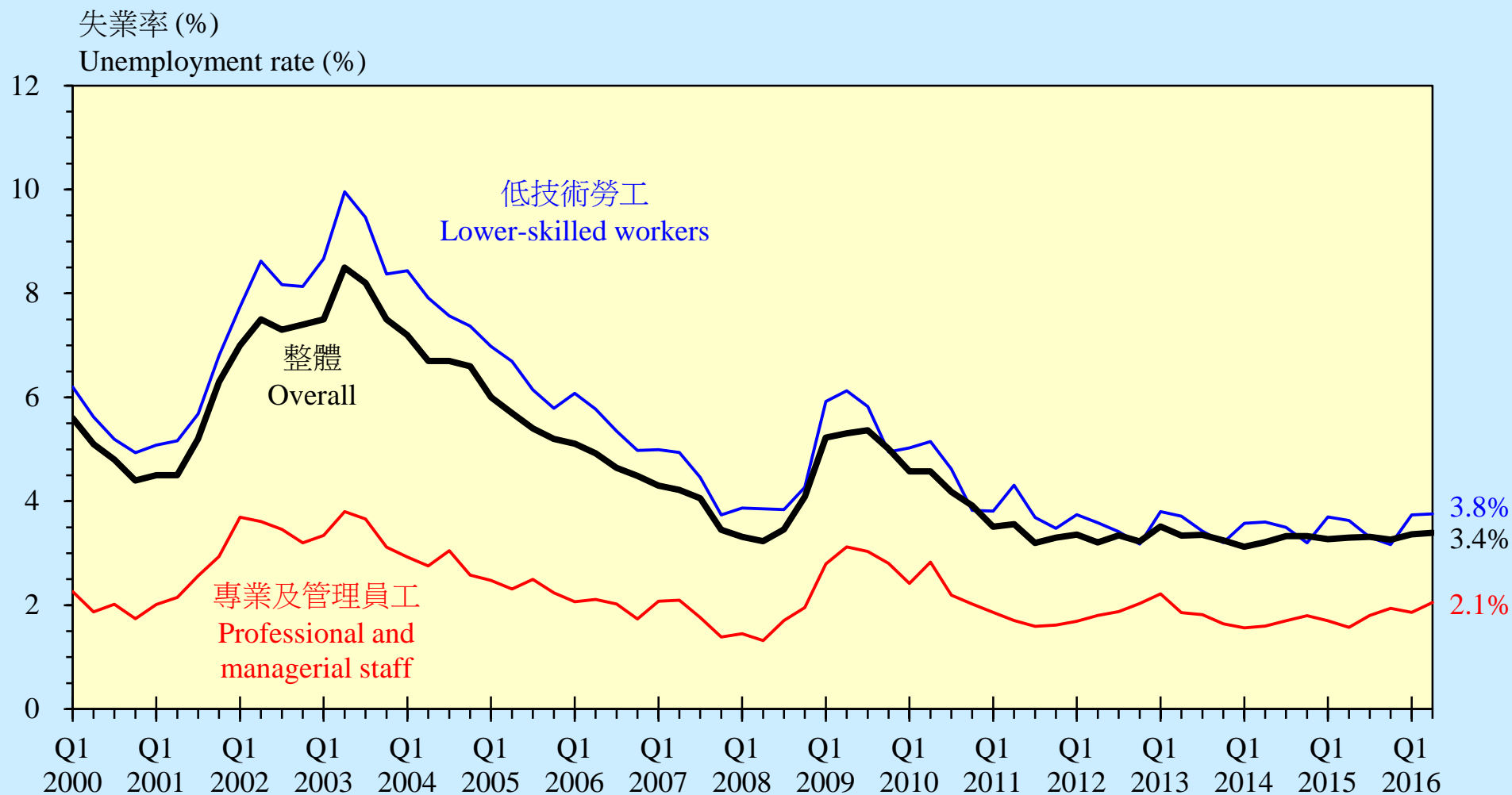
Machinery,  
equipment and  
intellectual  
property  
products

Building and  
construction

2015	Annual	-5.8	2.9
	Q3	-10.7	4.2
	Q4	-12.9	-0.9
2016	Q1	-11.9	0.2
	Q2	-11.3	3.9

# Labour market

# Unemployment rate stayed at a still-low level of 3.4% in Q2



註： 除整體失業率外，其他均為未經季節性調整數字。  
Note: Not seasonally adjusted except the overall unemployment rate.

# Incomes sustained real improvements

	<u>Income*</u>	
	Year-on-year rate of change (%)	
	<u>Nominal growth</u>	<u>Real growth</u>
Index of payroll per person engaged (Q1 2016)	3.2	0.4
Average employment earnings of full-time employees (Q2 2016)	5.0	2.3
<i>Among those: with elementary occupations</i>	5.1	2.3

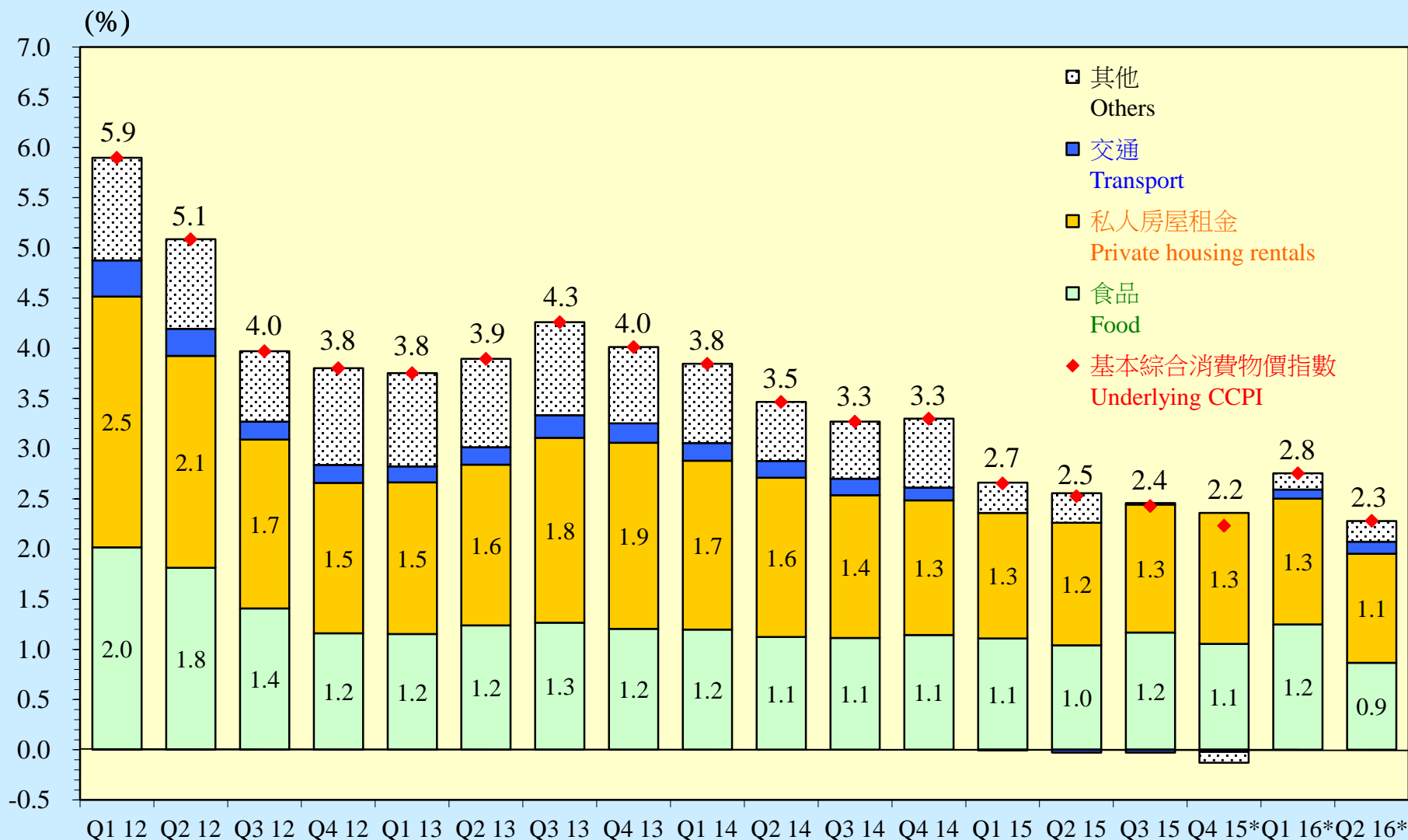
Note: (\*) Excluding foreign domestic helpers.



# Inflation

# Underlying inflation eased again

Contribution to the year-on-year rate of change in the underlying Composite Consumer Price Index (CCPI) by major component



註：(\*) 根據以二零一四至一五年度為基期的消費物價指數新數列計算。

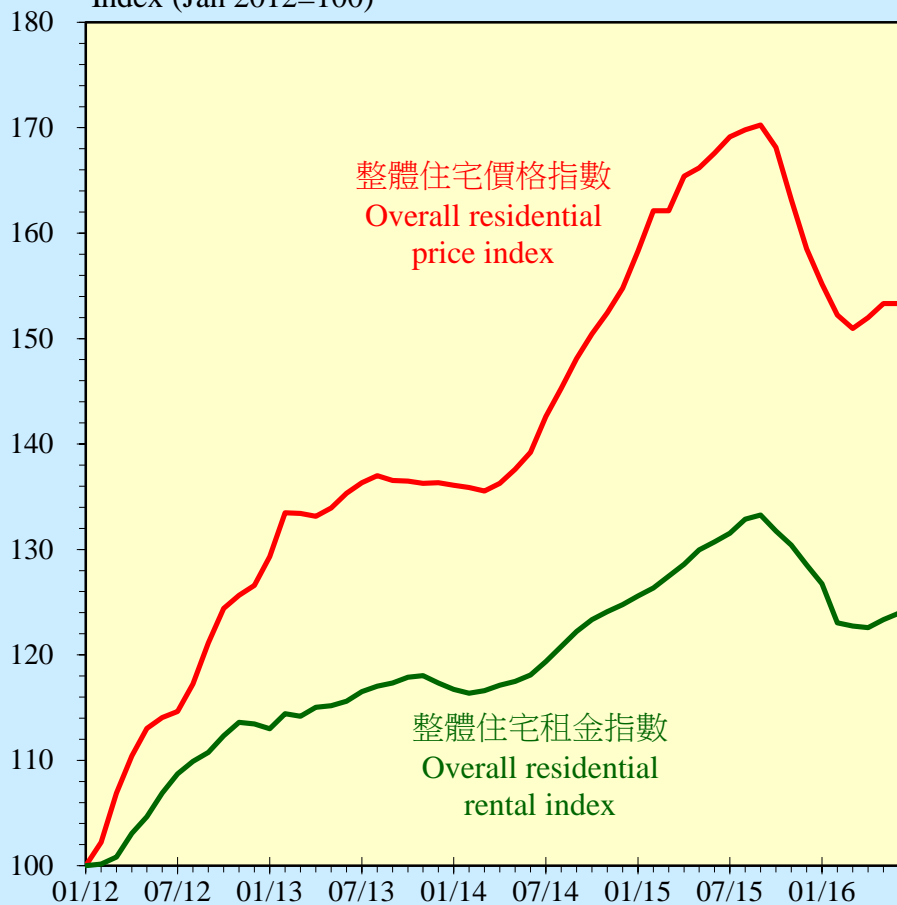
Note: (\*) By reference to the new 2014/15-based CPI series.

# Property market

# Housing market rebounded somewhat from its low

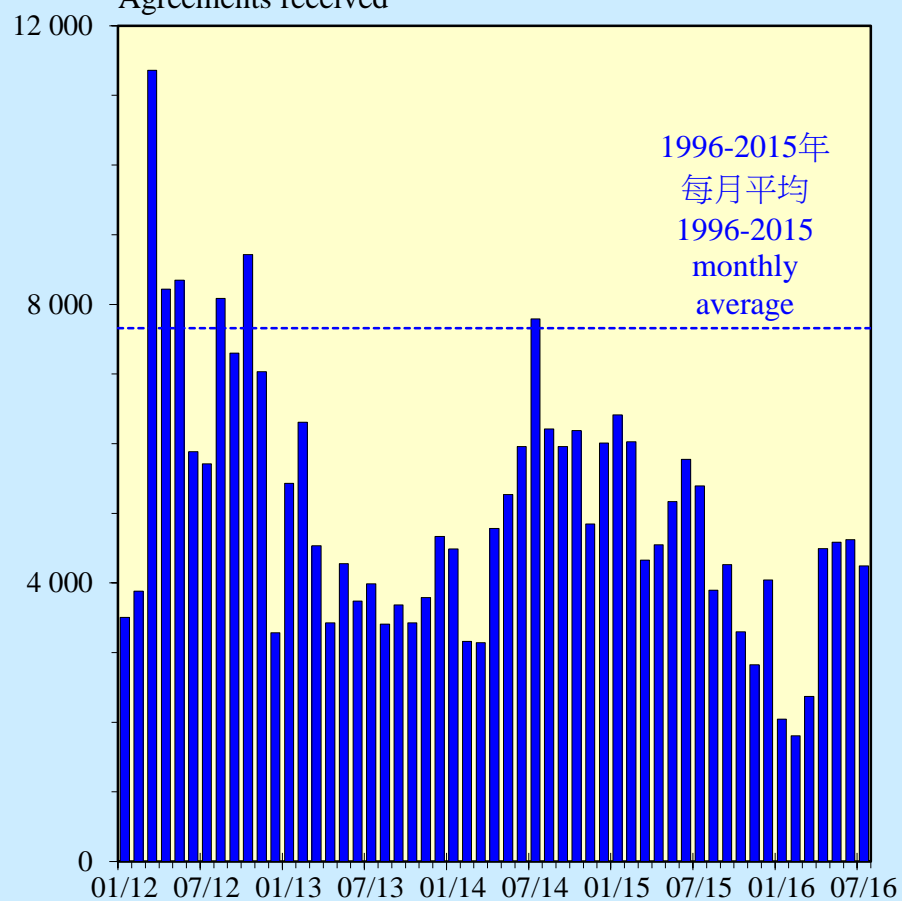
住宅售價  
Flat price

指數(二零一二年一月=100)  
Index (Jan 2012=100)

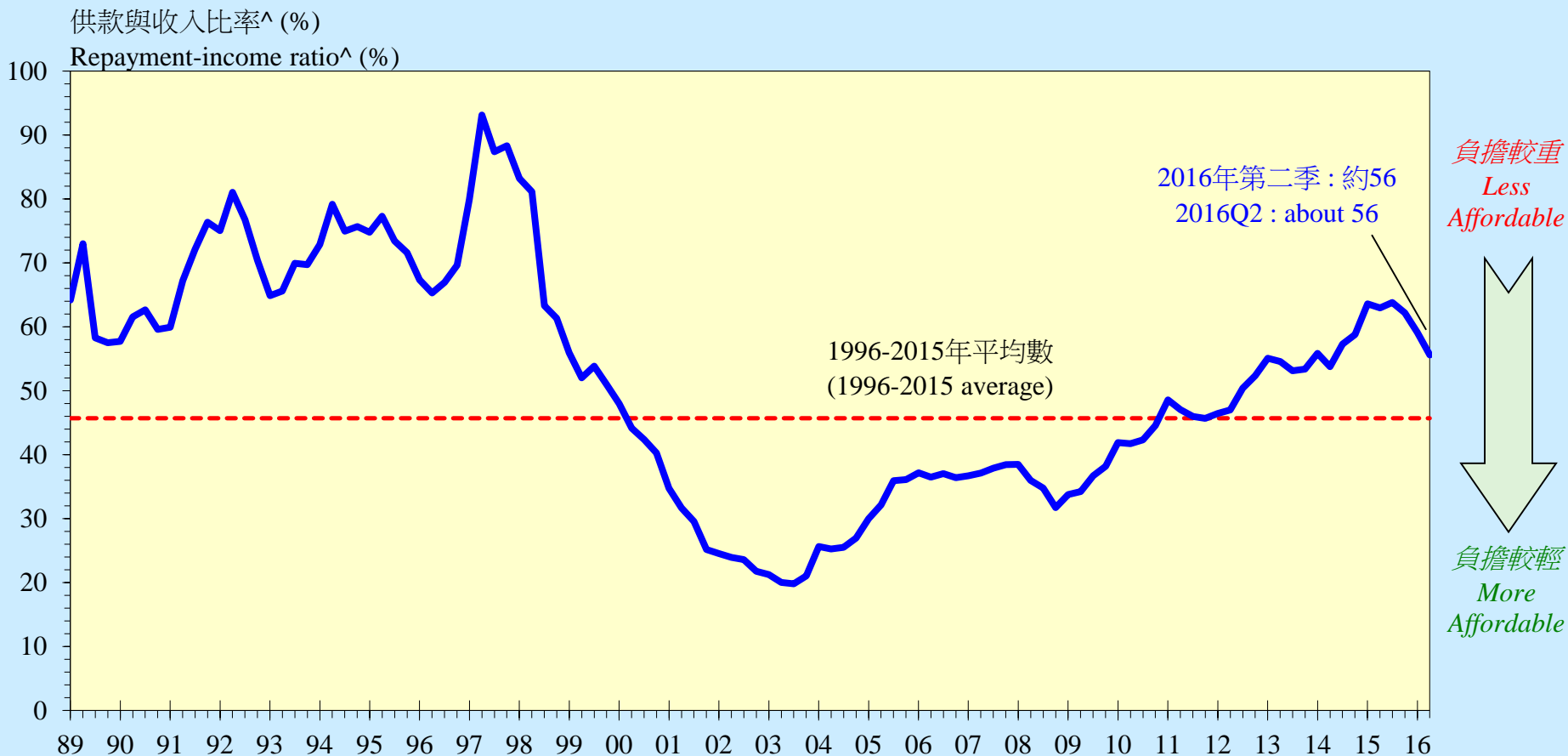


住宅物業買賣合約總數  
No. of S&P agreements

買賣合約數目  
Agreements received



# Mortgage payment to income ratio stayed elevated



註：(^) 45平方米單位的按揭供款(假設按揭成數為70%及年期為20年)相對住戶入息中位數(不包括居於公營房屋的住戶)的比率。這比率與金管局公布的平均供款與入息比率不同，後者是新批按揭貸款申請人的每月償還債務與每月收入的比率。

Note : (^) The ratio of mortgage payment for a flat with saleable area of 45 sq m (assuming 70% loan-to-value ratio and tenor of 20 years) to median income of households (excluding those living in public housing). This ratio is different from the debt servicing ratio published by the HKMA, which is the ratio of actual monthly debt obligations of mortgagees to their monthly income of newly approved mortgages.

# **Outlook for the remaining 2016**

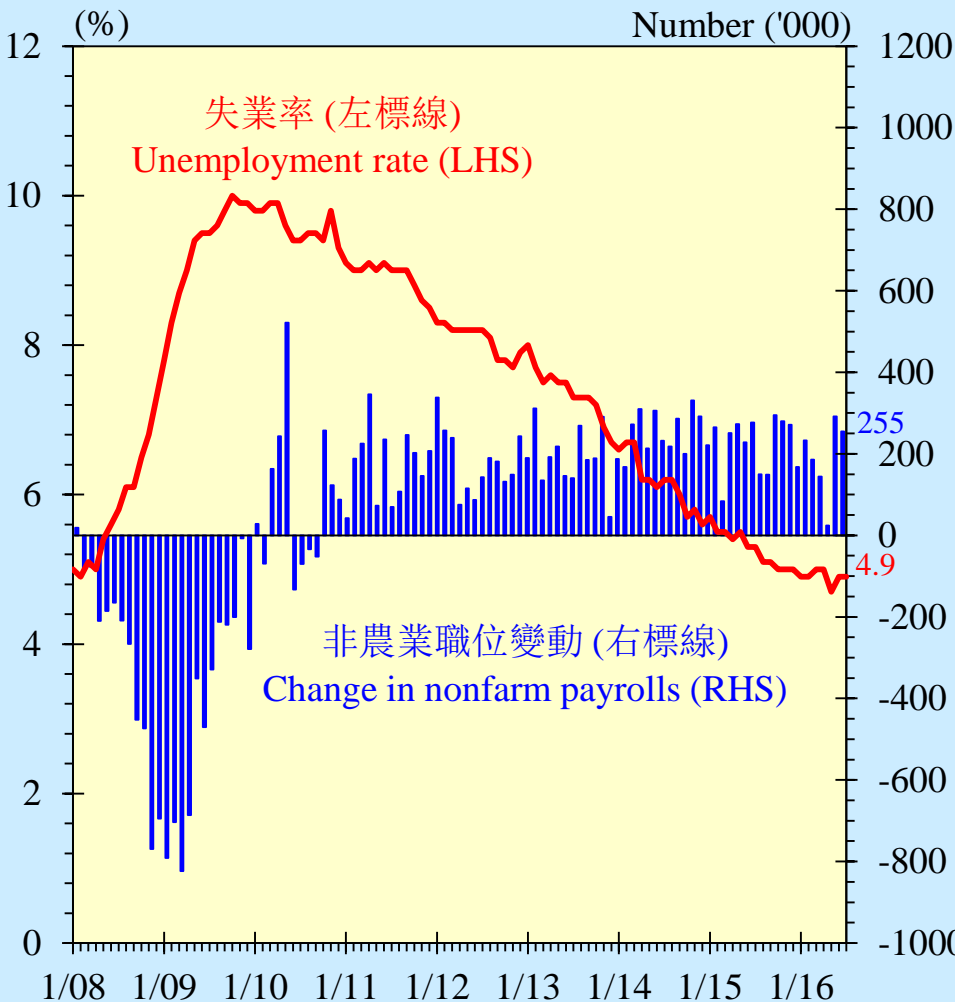
# US economy improved modestly in Q2, but timing of further rate hike remains uncertain

勞工市場續見改善

Further improvement in the labour market

數目 ('000)

Number ('000)

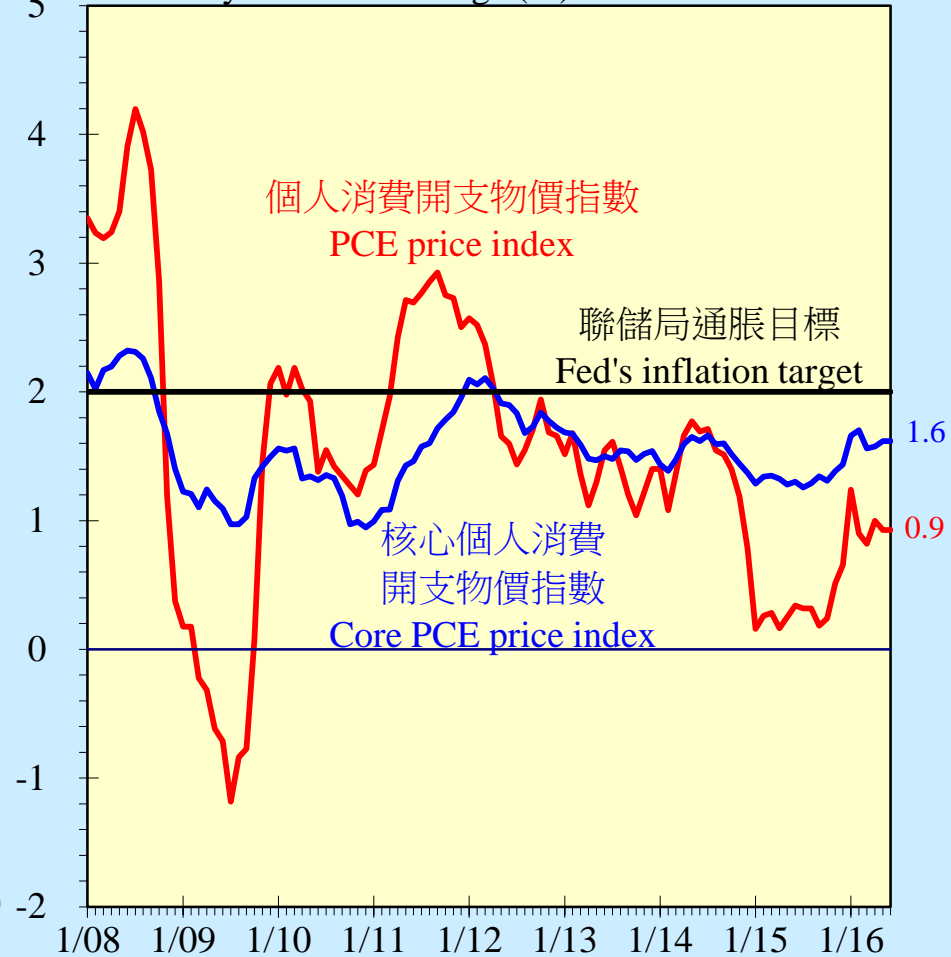


通脹仍然低於聯儲局的目標

Inflation still below Fed's target

按年增減率 (%)

Year-on-year rate of change (%)

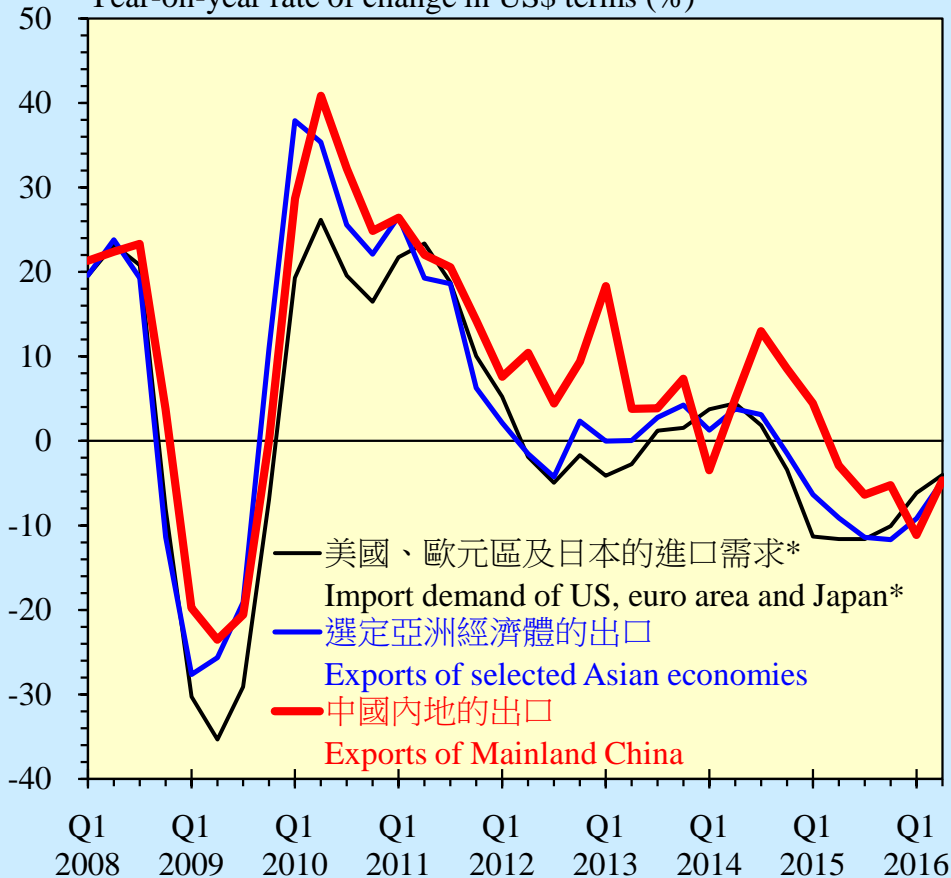


# Mainland economy expanded steadily in Q2

## 內地出口跌幅收窄 Decline in Mainland's exports narrowed

以美元計價按年增減率(%)

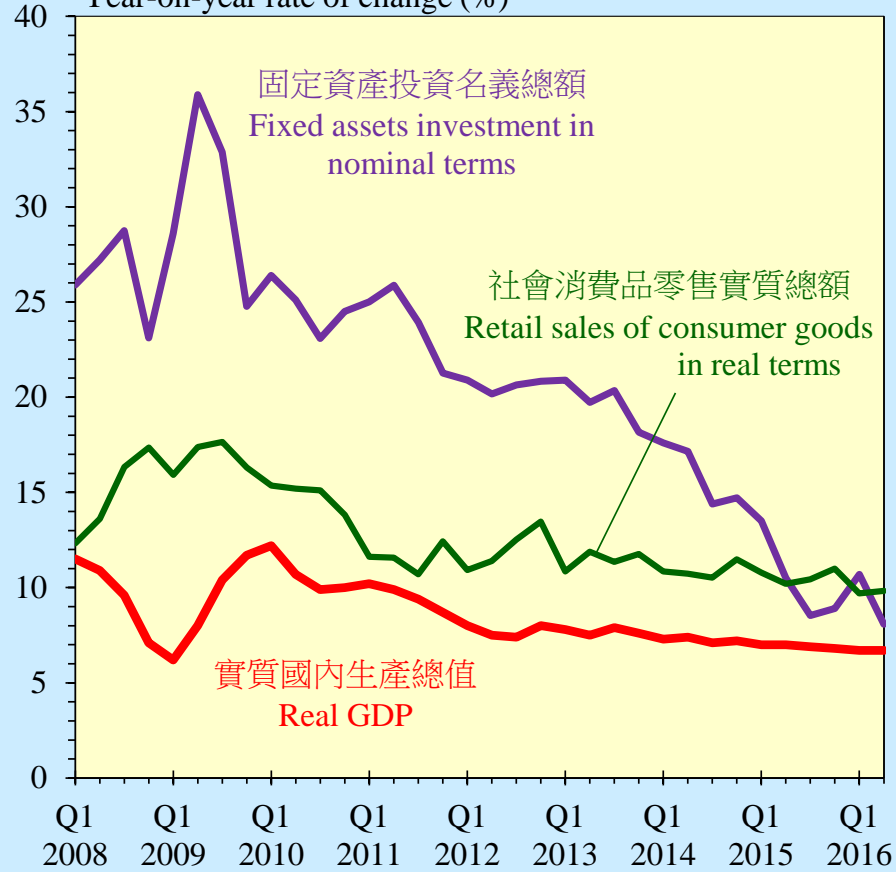
Year-on-year rate of change in US\$ terms (%)



## 內部需求進一步穩健增長 Domestic demand continued to grow solidly

按年增減率(%)

Year-on-year rate of change (%)



註：選定亞洲經濟體包括香港、印度、印尼、韓國、馬來西亞、菲律賓、新加坡、台灣及泰國。

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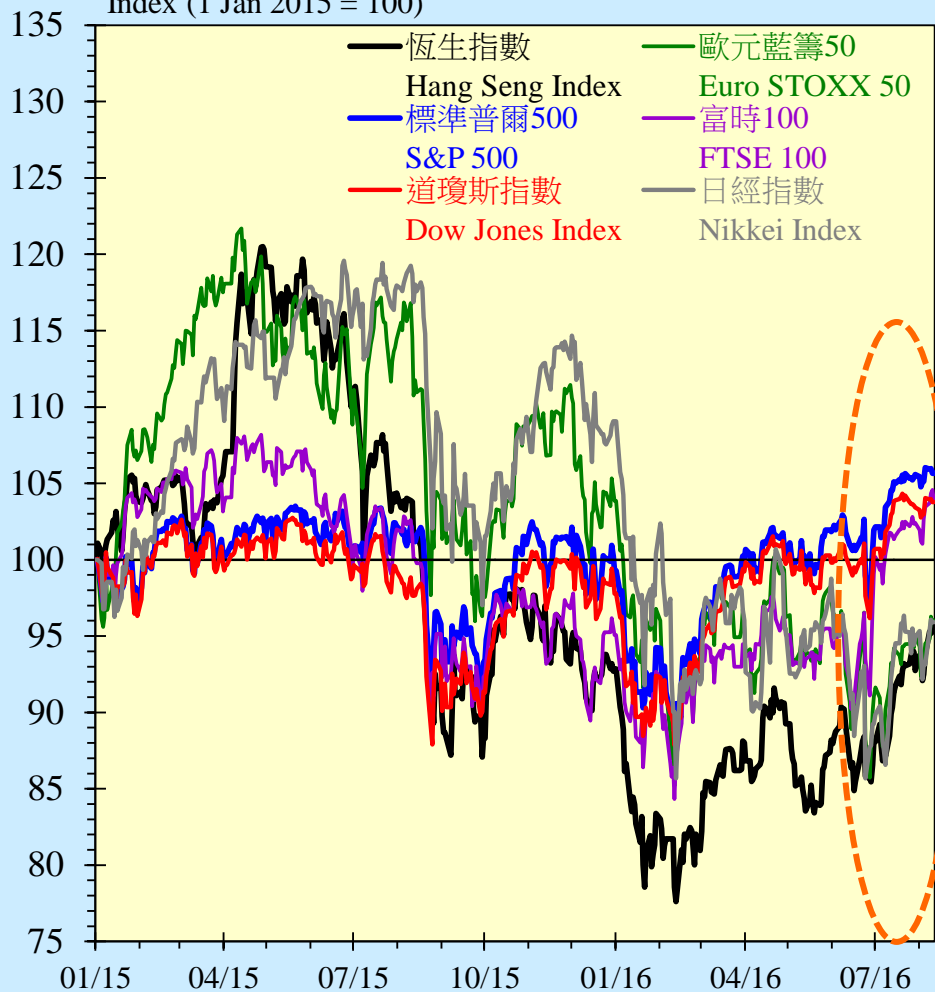
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# Brexit increased global economic uncertainties

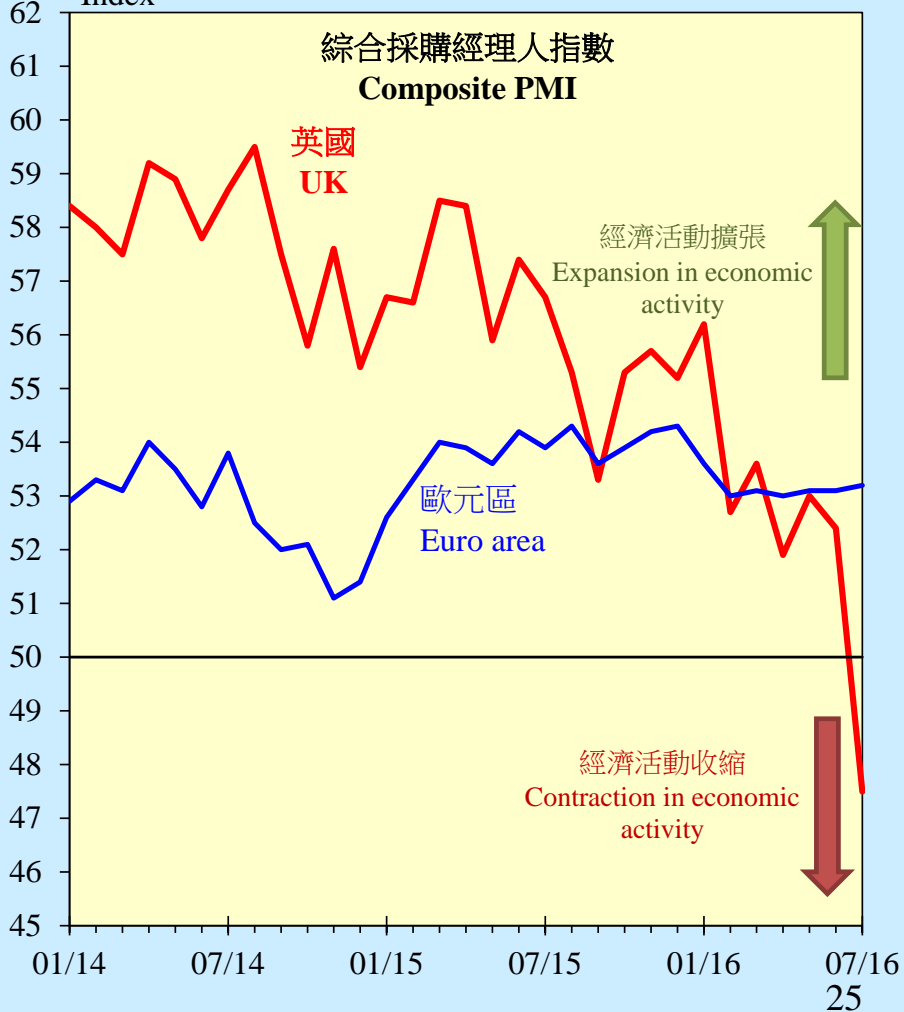
## 國際股票市場在七月明顯反彈 Visible rebound in international stock markets in July

指數 (二零一五年一月一日=100)  
Index (1 Jan 2015 = 100)



## 對歐洲經濟的影響有待浮現 Impact on the European economy has yet to be reflected

指數  
Index



# Direct impact on Hong Kong should be limited, but our trade with Europe and global financial volatility warrant close monitoring

Share of UK and EU in Hong Kong's selected economic indicators (%)

	<u>UK</u>	<u>EU</u>
(1) Merchandise exports (2015)	1.5	9.3
(2) Exports of services (2014)	6.6	14.9
(3) Stock of inward direct investment (end-2014)	1.1	8.8

# IMF revised down its global growth forecasts three times so far this year

	GDP growth in 2015	IMF forecasts for 2016 GDP growth			Change between Apr-Jul
		2016 Jan	Apr	Jul	
<b>World</b>	<b>3.1</b>	<b>3.4</b>	<b>3.2</b>	<b>3.1</b>	<b>-0.1</b>
U.S.	2.6	2.6	2.4	2.2	-0.2
Euro area	1.7	1.7	1.5	1.6	0.1
Japan	0.5	1.0	0.5	0.3	-0.2
Mainland China	6.9	6.3	6.5	6.6	0.1
Developing Asia	6.6	6.3	6.4	6.4	-
Emerging market and developing economies	4.0	4.3	4.1	4.1	-

## **Global economy likely to expand modestly but uncertainties still abound**

- ◆ The process of Brexit is still unfolding, impact on global economy remains uncertain
- ◆ Timing and pace of US interest rate hikes remain data-dependent
- ◆ Increased downside risks to the euro area; Japan's economy likely to stay weak; central banks' monetary policy divergence continues
- ◆ Complicated global economic and monetary conditions, financial markets still face risks of increased volatility
- ◆ Emerging markets would also be affected by an unsteady external environment
- ◆ Heightened geopolitical tensions in various regions

# Uncertain global economic outlook continued to affect local business sentiment

## Business expectations by sector (net balance\*)

	<u>15Q4</u>	<u>16Q1</u>	<u>16Q2</u>	<u>16Q3</u>
Import/export trade and wholesale	-10	-30	-8	-14
Retail	-15	-47	-40	-38
Accommodation and food services	+8	-15	-17	-11
Transportation, storage and courier services	+13	+1	+8	+5
Information and communications	+11	+13	0	+12
Professional and business services	-5	0	-11	-14
Financing and insurance	+6	+7	+9	+6
<b>All sectors surveyed</b>	<b>-1</b>	<b>-11</b>	<b>-4</b>	<b>-6</b>

Note: (\*) Net balance indicates the direction of expected change in business situation versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “better” over that choosing “worse”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

## Weaker hiring sentiment in some sectors

### Hiring expectations by sector (net balance\*)

	<u>15Q4</u>	<u>16Q1</u>	<u>16Q2</u>	<u>16Q3</u>
Import/export trade and wholesale	-5	-3	-3	-6
Retail	-7	+9	-2	-4
Accommodation and food services	+11	+7	+12	+15
Transportation, storage and courier services	+19	+10	+11	+18
Information and communications	+7	+13	+12	+21
Professional and business services	+2	+5	-4	-7
Financing and insurance	+11	+7	+7	+10

Note: (\*) Net balance indicates the direction of expected change in number of persons engaged versus the preceding quarter. It refers to the difference in percentage points between the proportion of establishments choosing “up” over that choosing “down”. A positive sign indicates a likely upward trend while a negative sign, a likely downward trend.

# Hong Kong's near-term economic outlook

- Goods exports likely to show some stabilisation in the near term, though still depending on external conditions
- Visitor arrivals have been improving, likely to render some support to services exports, the pressure faced by the retail business will hopefully lessen
- Labour market still close to full employment, helping to support local consumption sentiment
- Budget's support measures and intensive construction works will also provide impetus to overall economic growth
- Latest real GDP growth forecast for 2016 unchanged at 1-2%
- Inflation will likely stay tame, underlying inflation forecast for 2016 at 2.2%

# Latest economic forecasts for 2016 as a whole

	Forecasts as released on 24 February	Forecasts as released on 13 May	Latest forecasts
<b>Real GDP growth</b>	<b>1-2%</b>	<b>1-2%</b>	<b>1-2%</b>
<b>Underlying inflation</b>	<b>2%</b>	<b>2%</b>	<b>2.2%</b>
<b>Headline inflation</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>





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